

Message Text

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ACTION H-02

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 EA-09
/091 W

-----080856Z 068795 /14

R 080427Z MAR 77
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 2508

UNCLAS SEOUL 1865

EA PASS TO AMBASSADOR SNEIDER

PASS EB/IFD/ODF

E.O. 11652: N/A
TAGS: EFIN, EAID, OREP
SUBJECT: SENATOR GRAVEL'S PAPER ON TAXATION FOR DEVELOPMENT
ASSISTANCE

REF: STATE 009837

1. THERE FOLLOWS HERewith THE EMBASSY'S COMMENTS ON SENATOR GRAVEL'S PAPER.
2. THE BASIC NOTION INSPIRING THE PAPER IS TO INCREASE DEVELOPMENT ASSISTANCE FROM THE U.S. THAT CLEARLY WARRANTS OUR STRONG ENDORSEMENT.
3. LEVYING A DEVELOPMENT ASSISTANCE TAX ON FOREIGN CORPORATE EARNINGS COMBINED WITH AN OFFSETTING TAX CREDIT IS, WE THINK, IMAGINATIVE PACKAGING. MANY WILL SEE IT AS NOTHING MORE THAN A WAY TO EARMARK REVENUES. HOWEVER, IT ALSO ASSOCIATES A FLOW OF FOREIGN ASSISTANCE FUNDS WITH PROFITS FROM FOREIGN INVESTMENTS, WHICH IS, WE THINK, A PERCEPTION WORTH PROMOTING.

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4. THE PROPOSAL WOULD LIMIT BENEFITS TO COUNTRIES WITH PER CAPITA GNP'S OF \$1,000 OR LESS. WE BELIEVE THE LEVEL IS TOO HIGH GENERALLY. FOR EXAMPLE, KOREA'S GNP IS NOW ONLY \$700 PER CAPITA. YET, IT IS GROWING RAPIDLY AND IS ABLE TO BORROW ON COMMERCIAL TERMS FOR THE MOST PART. THE BALANCE FROM JAPAN AND THE INTERNATIONAL FINANCIAL INSTITUTIONS IS ADEQUATE TO MAINTAIN

A HIGH RATE OF INVESTMENT. ULTIMATELY, A SINGLE VALUED LIMIT IS PROBABLY TOO INFLEXIBLE AND THERE MAY BE SOME SITUATIONS WHERE \$1,000 WOULD BE INSUFFICIENT AND A HIGHER LEVEL WARRANTED BY A PARTICULAR, PERHAPS TEMPORARY, SITUATION IN A COUNTRY.

5. THE PAPER NOTES THE NEED FOR CRITERIA TO ESTABLISH MINIMUM ACCEPTABLE COUNTRY EFFORTS. WE AGREE THAT THIS IS A DIFFICULT TASK, AND BELIEVE THAT A SINGLE SET OF CRITERIA WOULD NOT TAKE CARE OF ALL SITUATIONS AROUND THE WORLD. WHAT IS NEEDED IS A FINDING THAT A PARTICULAR COUNTRY IS MAKING AN ADEQUATE EFFORT. GIVEN ITS SITUATION. THIS EFFORT SHOULD ACHIEVE A REASONABLE AMOUNT OF DOMESTIC SAVING AND REASONABLE INCENTIVES TO MOVE SAVINGS INTO EMPLOYMENT AND ARE COMPETITIVE INTERNATIONALLY. SUCH A FINDING WOULD IN EFFECT ADDRESS BOTH THE OBJECTIVES OF GROWTH AND OF WELFARE.

6. WHILE WE OBVIOUSLY SUPPORT THE NOTION OF A MINIMUM CODE OF CONDUCT FOR MULTINATIONAL CORPORATIONS, THE SUBJECT STILL ELICITS A RANGE OF VIEWS ON WHAT IS ACCEPTABLE. GENERALLY, HOWEVER, THE THREAT OF PUBLIC DISCLOSURE HAS, IN OUR VIEW, ELIMINATED THE MOST EGREGIOUS CASES. HENCE, WE QUESTION WHETHER SUPPORT FOR THIS MAJOR PROPOSAL MAY NOT BE JEOPARDIZED BY ATTACHING A CODE TO IT.

7. WE WOULD ALSO BE RELUCTANT TO SEE A LARGE PART OF THE DAT EARMARKED FOR THE EDUCATIONAL TRUST. ASSISTANCE FUNDS OUGHT TO GO TO FIELDS WHERE THEY CAN BE SPENT EFFICIENTLY AND WHERE THERE ARE GAPS IN WHAT A GIVEN COUNTRY IS DOING. HENCE, WE DOUBT WHETHER A SINGLE SPENDING AREA SHOULD BE SINGLED OUT FOR DAT PROCEEDS AROUND THE WORLD.

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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